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Green Choice Solar

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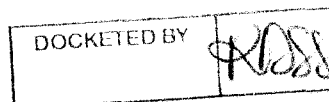
Arizona Corporation Commission

AZ CORP COMMISSION
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NOV - 4 2010

Chairman Kristin Mayes
Commissioner Gary Pierce
Commissioner Sandra Kennedy
Commissioner Paul Newman
Commissioner Bob Stump



Re: APS 2011 REST Implementation Plan (Docket No. E-01345A-10-0262)

E-01345A-10-0166

Dear Madam Chair and Commissioners:

As the CEO of Green Choice Solar ("GCS"), I am writing to provide comments on APS' 2011 REST Implementation Plan. Specifically, I have several concerns about the funding availability and predictability of the PBI reservation and nomination process for non-residential distributed energy projects. I believe these proposed modifications would provide solar developers with needed assurances to serve non-residential customers, a market that holds great potential for fast and cost-effective deployment of solar PV systems.

As you know, APS' PBI program has been enormously popular for solar developers in the past two years, which has resulted in oversubscription, leaving little opportunity to meet customer demand. However, many of those nominated projects have fallen by the wayside because they were unable to secure financing or because no firm contracts between the customer and solar developer ever materialized. For example, in the most recent nomination round (September 2010), APS funding allotment (as measured in lifetime authorizations) doubled to \$68.7 million because an additional \$32.5 million rolled over from previous nomination periods. Moreover, in APS' supplementary filing, the company is proposing to modify the PBI budgeting methodology for the "Large Project" category from a mid-year convention to a longer convention. This adjustment underscores the reality that many projects are not being completed as expected.

Currently, any customer can obtain a reservation if the project scores high enough on APS' ranking calculator. Inherent flaws exist in assessing and ranking projects, as the \$/kWh can be manipulated to reserve spots for projects that have no possibility of ever being completed. For instance, the estimated energy production may be overstated, while the requested incentive amount may be understated.

The following modifications will greatly improve the APS' PBI reservation and nomination process:

Reservation Process

- Require a reservation fee (or security fee) with the application submittal. (In her October 21, 2010 letter to this docket, Chairman Mayes asked APS to comment on requiring security deposit for PBI-based programs.) Solar developers ought to pay a reservation fee on behalf of their customers when requesting incentive funding. The amount could be based on a small percentage of the total project cost (at least 2%) and would be refunded once the utility nomination is awarded. As a result, the imposition of a reservation fee will weed out speculative projects that have little chance of success.
- Require the reservation request to include 1) technical specifications for the project, 2) an executed contract between the customer and solar installer, and 3) a list of secured financing for prior projects. Completing these steps prior to placing a reservation virtually guarantees that the project will come to fruition.

Nomination Process

- Change the process of awarding incentive funding for the nomination periods. In each nomination round, applications are typically denied because funding runs out. As a result, customers have to resubmit their projects in the subsequent nomination round, thus delaying the possible installation of a cost-effective project. Instead, when a winning application fails to be completed, APS should be required to award the incentive to the next highest reservation request. This change would stem funding rollovers and enable viable projects to be built faster.
- Increase the number of nomination periods for the "Large Project" category from two to four. Having only two nomination periods has led to a "feast or famine" regimen for many solar developers and their customers. My company targets larger commercial projects; however, I have had and will continue to have great difficulty in serving this niche market if the number of nomination periods is not increased.

Should the Commission adopt these modifications in APS' 2011 Implementation Plan, more non-residential projects will be completed, and serious solar developers will be rewarded for their forthright behavior and hard work in landing projects. None of these criteria will cost the ratepayer any additional money, and APS has the administrative capacity and resources to implement these programmatic changes with little difficulty.

Thank you for your consideration in this matter.

Sincerely Yours,



Herbert Abel
CEO